

Letter to Shareholders

In order to give the shareholders an up-to-date view of our activities, this letter and the following summary of operations are current to February 15, 1986 — although the financial statements are to our year-end of September 30, 1985.

As stated in the letter to shareholders in our annual report for 1984 "once more our primary objective for 1985 is the arranging of a joint venture" (to develop the Mosquito Creek gold mine at Wells, British Columbia). Further to this objective The Mosquito Creek Gold Mining Company Limited acquired from Wharf Resources Ltd. all its holdings adjacent to the Mosquito Creek property, ie., 99 mineral claims comprising 3350 acres and including the old Island Mountain and Cariboo Gold Quartz mine workings. The consideration for this was 2,000,000 shares of The Mosquito Creek Gold Mining Company Limited. Also, The Mosquito Creek Gold Mining Company Limited purchased for 800,000 shares the 10% interest earned in the mine and mineral claims by Hudson's Bay Exploration and Development Company Limited.

We then re-opened the mine as a pilot operation with the object of testing in the Mosquito Creek workings an underground geophysical technique for finding ore that had been left undiscovered by the earlier techniques. This operation was financed by means of a preliminary joint venture whereby the participants would earn a 10% interest in the mining property by expending \$500,000. In addition, the same joint venture participants purchased 625,000 shares of The Mosquito Creek Gold Mining Company Limited at 40¢ per share, providing Mosquito Creek with \$250,000 of working capital.

The purpose of the above actions was to demonstrate to a financially strong mining company of proven expertise the potential profitability of this new approach to ore finding and to that end also put together an adequate supporting land package. This we have accomplished and as a result we are happy to report we are close to consummating a joint venture agreement with a major mining company. We will be making an announcement of the details upon execution of a definitive agreement which is currently being drafted. At that time, Peregrine Petroleum Ltd. will withdraw as manager-operator of the project and henceforth its status will be as major shareholder of The Mosquito Creek Gold Mining Company Limited, holding approximately 40% of the outstanding shares.

Our Manitoba project is at last bearing fruit - during the year we participated in drilling 9 wells at Virden-Daly resulting in 8 oil producers averaging approximately 30 b/d (Peregrine 10-25%). We have a dozen or so offsets to these wells to drill in 1986. We anticipate that exploration and development of oil in Manitoba will be our principal activity for the coming year.

Submitted on behalf of the Board



C.J. McFeely, P.Eng.
President

February 15, 1986

Corporate Information

OFFICERS AND DIRECTORS:

Cameron J. McFeely, P.Eng.
President and Director

Theresa L. Parsons
Secretary and Director

Peter G. Smith
Director

C. Delwyn Borggard
Director

HEAD OFFICE:

#550 Bow Valley Square 3
255 - 5th Avenue S.W.
Calgary, Alberta T2P 3G6
(403) 265-0980

TRANSFER AGENT:

The Canada Trust Company
Calgary, Alberta

AUDITORS:

Coopers & Lybrand
Calgary, Alberta

STOCK EXCHANGE LISTING:

The Alberta Stock Exchange

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In order to give the shareholders an up-to-date view of our activities, this letter and the following summary of operations are current to February 15, 1986 — although the financial statements are to our year-end of September 30, 1985.

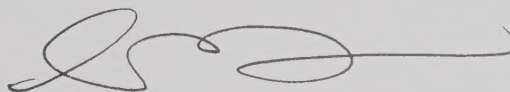
As stated in the letter to shareholders in our annual report for 1984 "once more our primary objective for 1985 is the arranging of a joint venture" (to develop the Mosquito Creek gold mine at Wells, British Columbia). Further to this objective The Mosquito Creek Gold Mining Company Limited acquired from Wharf Resources Ltd. all its holdings adjacent to the Mosquito Creek property, ie., 99 mineral claims comprising 3350 acres and including the old Island Mountain and Cariboo Gold Quartz mine workings. The consideration for this was 2,000,000 shares of The Mosquito Creek Gold Mining Company Limited. Also, The Mosquito Creek Gold Mining Company Limited purchased for 800,000 shares the 10% interest earned in the mine and mineral claims by Hudson's Bay Exploration and Development Company Limited.

We then re-opened the mine as a pilot operation with the object of testing in the Mosquito Creek workings an underground geophysical technique for finding ore that had been left undiscovered by the earlier techniques. This operation was financed by means of a preliminary joint venture whereby the participants would earn a 10% interest in the mining property by expending \$500,000. In addition, the same joint venture participants purchased 625,000 shares of The Mosquito Creek Gold Mining Company Limited at 40¢ per share, providing Mosquito Creek with \$250,000 of working capital.

The purpose of the above actions was to demonstrate to a financially strong mining company of proven expertise the potential profitability of this new approach to ore finding and to that end also put together an adequate supporting land package. This we have accomplished and as a result we are happy to report we are close to consummating a joint venture agreement with a major mining company. We will be making an announcement of the details upon execution of a definitive agreement which is currently being drafted. At that time, Peregrine Petroleum Ltd. will withdraw as manager-operator of the project and henceforth its status will be as major shareholder of The Mosquito Creek Gold Mining Company Limited, holding approximately 40% of the outstanding shares.

Our Manitoba project is at last bearing fruit - during the year we participated in drilling 9 wells at Virden-Daly resulting in 8 oil producers averaging approximately 30 b/d (Peregrine 10-25%). We have a dozen or so offsets to these wells to drill in 1986. We anticipate that exploration and development of oil in Manitoba will be our principal activity for the coming year.

Submitted on behalf of the Board



C.J. McFeely, P.Eng.
President

February 15, 1986

The Mosquito Creek Gold Mine

After two months of preliminary preparation the Mosquito Creek mine and mill at Wells, British Columbia went into operation on July 2, 1985, and to December 31, 1985 had processed 8293 tons of ore yielding 2065 ounces of gold. The objective in re-opening the mine was to conduct a pilot operation using an underground geophysical technique to find ore bodies overlooked in the earlier mining operations. Using this, we first surveyed a portion of the old workings and then confirmed indicated ore bodies by jackleg drilling alone. Sufficient ore was indicated to support a pilot operation.

This project was financed by a small joint venture whereby the joint venture participants earned a 10% interest in the mine and mineral claims by expending \$500,000. In addition, the participants purchased a private placement of 625,000 shares in The Mosquito Creek Gold Mining Company Limited at 40¢ per share.

To further enhance the attractiveness of the project an agreement was consummated with Wharf Resources Ltd. to purchase for 2,000,000 shares all the Wharf mineral claims adjoining the Mosquito Creek property, including the old Island Mountain and Cariboo Gold Quartz mine workings (see plat). Earlier, for a consideration of 800,000 shares, Mosquito Creek had purchased from Hudson's Bay Exploration and Development Company the 10% interest earned by them in 1984.

All the above comprised a strategy directed towards the acquisition of a strong well-financed and technically competent joint venture partner. This strategy has been successful and we are in the final stages of drafting a definitive joint venture agreement with a major mining company. The mine suspended operations January 31, 1986 and is currently on standby status awaiting the inception of our new joint venture.

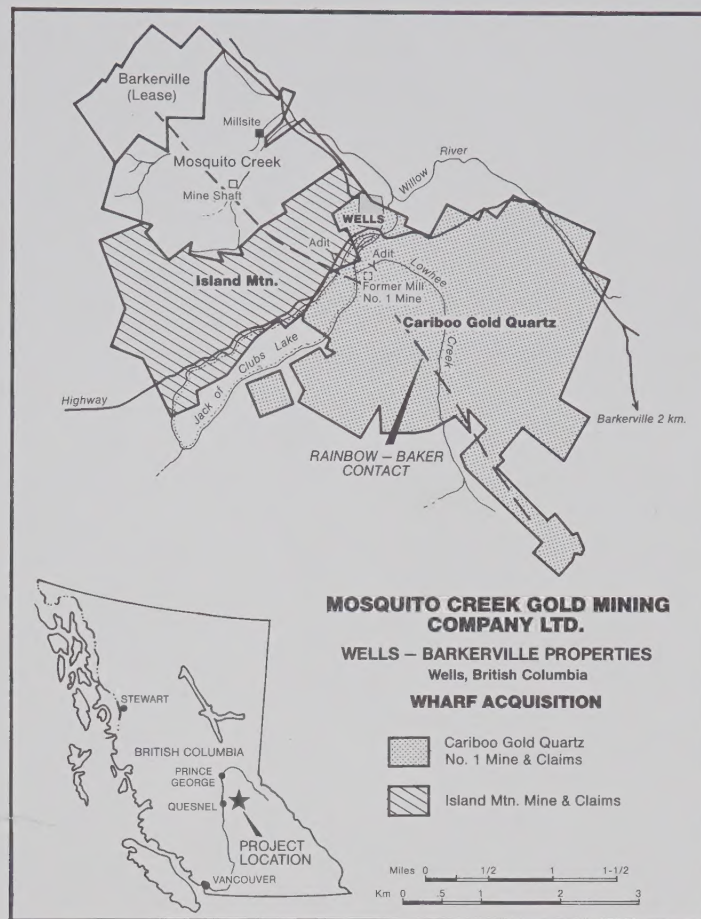
Oil and Gas Properties

Virden - Daly, Manitoba (Peregrine 10-25%)

We drilled a total of 9 wells, 2 at Virden and 7 at Daly - resulting in 8 producing oil wells averaging approximately 30 barrels per day. At a price U.S. of \$18.00 per barrel (Canadian \$24.00) and after royalty and operating costs, these wells net approximately \$15.00 (Canadian) per barrel. This results in a payout of approximately 2 years per well. We expect most of our activity in the coming year to be in this area.

Clearville, Ontario - (Peregrine 12.5%)

We are participating in a 3800-foot Cambrian test. This well is being drilled with cable tools and will probably reach total depth early in March.



Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Peregrine Petroleum Ltd. as at September 30, 1985 and the consolidated statements of loss, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at September 30, 1985 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

Calgary, Alberta
January 16, 1986

Chartered Accountants

Consolidated Balance Sheet

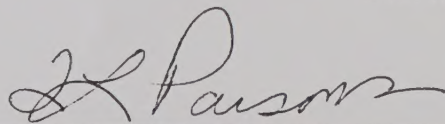
as at September 30, 1985

	1985 \$	1984 \$
ASSETS		
CURRENT ASSETS		
Cash	119,606	277,113
Accounts receivable	299,918	169,225
Prepaid expenses	9,982	—
Marketable securities — at lower of cost and quoted market value \$3,360 (1984 - \$4,480)	2,464	3,920
Current portion of debenture receivable from a related party (note 8)	103,043	248,093
Due from a related party (note 8)	24,857	—
	559,870	698,351
PROPERTY AND EQUIPMENT — at cost (note 4)	944,049	1,567,245
INVESTMENT IN SIGNIFICANTLY INFLUENCED COMPANY (note 5)	918,945	628,087
DEBENTURE RECEIVABLE FROM A RELATED PARTY (note 8)	250,000	—
OTHER ASSETS — at cost	35,059	26,100
	2,707,923	2,919,783

SIGNED ON BEHALF OF THE BOARD



Director



Director

	1985 \$	1984 \$
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	270,966	210,017
Bank loan (note 3)	1,124,000	—
Due to related parties (note 8)	—	455,017
	<u>1,394,966</u>	<u>665,034</u>
LONG-TERM DEBT		
Bank loan (note 3)	—	1,274,000
Debenture payable to a shareholder including accrued interest (note 6)	2,147,527	1,909,054
Accrued interest payable to a shareholder	292,034	292,034
Advances from a shareholder	22,346	12,228
Due to a related party (note 8)	478,379	—
	<u>2,940,286</u>	<u>3,487,316</u>
GAS PRODUCTION PREPAYMENT	<u>29,676</u>	<u>33,656</u>
	<u>4,364,928</u>	<u>4,186,006</u>

DEFICIT LESS CAPITAL STOCK

DEFICIT	6,838,089	6,396,333
CAPITAL STOCK (notes 6 and 7)	5,081,084	4,885,371
FLOW-THROUGH SHARE SUBSCRIPTIONS (note 7)	100,000	244,739
	<u>(1,657,005)</u>	<u>(1,266,223)</u>
	<u>2,707,923</u>	<u>2,919,783</u>

Consolidated Statement of Deficit

for the year ended September 30, 1985

	1985 \$	1984 \$
BALANCE — BEGINNING OF YEAR	6,396,333	4,877,458
Loss for the year	441,756	1,518,875
BALANCE — END OF YEAR	<u>6,838,089</u>	<u>6,396,333</u>

PEREGRINE PETROLEUM LTD.

Consolidated Statement of Loss

for the year ended September 30, 1985

	1985 \$	1984 \$
INCOME		
Production — oil and gas (including Alberta Royalty Tax Credit)	591,763	459,620
— mine	—	659,503
Interest	51,611	37,759
	<u>643,374</u>	<u>1,156,882</u>
EXPENSES		
Production — oil and gas	144,515	137,817
— mine	—	533,507
General and administrative	80,203	150,670
Loss on foreign currency translation	15,403	27,125
Interest — long-term debt	394,155	449,164
Lease rentals	7,528	5,756
	<u>641,804</u>	<u>1,304,039</u>
EARNINGS (LOSS) BEFORE OTHER CHARGES	<u>1,570</u>	<u>(147,157)</u>
OTHER CHARGES		
Depletion and depreciation — oil and gas	113,621	59,697
— mine	—	240,151
Dry holes, abandonments and write-down — oil and gas	641,460	1,003,364
	<u>755,081</u>	<u>1,303,212</u>
LOSS BEFORE THE FOLLOWING	<u>753,511</u>	<u>1,450,369</u>
OTHER INCOME (EXPENSES)		
Gain on decrease in proportionate share of significantly influenced company (note 5)	394,295	—
Gain on sale of mining claims	43,092	—
Gain on sale of oil and gas properties	42,761	—
Write-down of marketable securities	(1,456)	(31,740)
Equity in loss of significantly influenced company	(166,937)	(36,766)
	<u>311,755</u>	<u>(68,506)</u>
LOSS FOR THE YEAR	<u>441,756</u>	<u>1,518,875</u>
LOSS PER SHARE	<u>.08</u>	<u>.30</u>

Consolidated Statement of Changes in Financial Position

for the year ended September 30, 1985

	1985 \$	1984 \$
SOURCE OF WORKING CAPITAL		
Provided from operations —		
Loss for the year	(441,756)	(1,518,875)
Items not affecting working capital —		
Depletion and depreciation — oil and gas	113,621	59,697
— mine	—	240,151
Dry holes, abandonments and write-down — oil and gas	641,460	1,003,364
Gain on decrease in proportionate share of significantly influenced company	(394,295)	—
Equity in loss of significantly influenced company	166,937	36,766
Gain on sale of mining claims	(43,092)	—
Gain on sale of oil and gas properties	(42,761)	—
	114	(178,897)
Proceeds from flow-through share subscriptions received (net of \$49,026 P.I.P.; 1984 - \$102,000)	50,974	498,000
Proceeds from sale of properties	286,467	72,144
Gas production prepayment	—	13,822
Petroleum incentive payments	46,324	29,080
Increase in advances from a shareholder	10,118	5,073
Increase in debenture from a shareholder	238,473	264,733
Proceeds from sale of shares of significantly influenced company	1,000	—
Other	—	2,969
Reclassification of due to a related party to long-term liabilities	478,379	—
	<u>1,111,849</u>	<u>706,924</u>
USE OF WORKING CAPITAL		
Additions to oil and gas properties and equipment	378,823	444,873
Additions to mining property and equipment	—	198,441
Additions to other assets	8,959	19,500
Decrease in bank loan	150,000	—
Increase in investment in significantly influenced company (note 5)	64,500	—
Decrease in gas production prepayments	3,980	—
Reclassification of marketable securities to investment in significantly influenced company	—	24,975
Reclassification of bank loan to current liabilities	1,124,000	—
Reclassification of debenture receivable from a related party to long-term assets	250,000	—
	<u>1,980,262</u>	<u>687,789</u>
INCREASE (DECREASE) IN WORKING CAPITAL	(868,413)	19,135
WORKING CAPITAL — BEGINNING OF YEAR	33,317	14,182
WORKING CAPITAL (DEFICIENCY) — END OF YEAR	<u>(835,096)</u>	<u>33,317</u>

Notes to Consolidated Financial Statements

for the year ended September 30, 1985

1. BASIS OF PRESENTATION

The continued operations of the company as a going concern is dependent upon the ability of the company to obtain necessary financing to continue exploration and development activity and upon future profitable production. As a result, the company is dependent upon its major shareholder for financial support of operations and advances for capital expenditures. The company's current drilling program is being financed from funds raised under flow-through share agreements with this shareholder.

2. ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of Peregrine Petroleum Ltd. and its wholly-owned subsidiary, Peregrine Petroleum Inc.

Investment in significantly influenced company

The investment in The Mosquito Creek Gold Mining Company Limited is accounted for by the equity method, by which the original cost of the shares is adjusted for the company's proportionate share of earnings or losses less dividends received and any capital transactions in the shares of the investee, since significant influence was acquired.

Petroleum and natural gas properties

The company's accounting policy is to capitalize acquisition costs attributed to petroleum and natural gas properties net of government incentives. When properties are surrendered, the costs are written off as an expense in the year of abandonment. Lease rentals are expensed when incurred. Costs of drilling and equipping successful exploratory and development wells are capitalized. Gains or losses on dispositions of petroleum and natural gas properties are included in income and the costs of dry holes and abandonments are expensed.

Depletion and depreciation of the acquisition, exploration and development costs of producing properties and production equipment are calculated using the unit-of-production method, based upon proven recoverable reserves.

Joint ventures

Substantially all of the company's exploration and production activities are conducted jointly with others and the accounts reflect only the company's proportionate interest in such activities.

Translation of foreign currencies

Accounts maintained in foreign currencies have been translated into Canadian funds on the following basis: current assets, current liabilities and long-term liabilities at the rate of exchange in effect at the year end; property and equipment, including depreciation and depletion thereon, at the rate at the time of acquisition, and revenues and expenses at the average rates for the year. Gains or losses from the translation of the accounts maintained in foreign currencies are reflected in the statement of earnings with the exception of unrealized gains and losses relating to long-term debt which are deferred and amortized over the life of the related debt.

Earnings per share

Earnings per share are calculated using the weighted monthly average number of shares outstanding during the respective fiscal years. The effect of the exercise of potential conversion rights is anti-dilutive.

3. BANK LOAN

Book debts, production proceeds from certain petroleum and natural gas properties and 2,000,000 shares in The Mosquito Creek Gold Mining Company Limited have been pledged as security for the bank loan, which bears interest at 1½ % above the company's bank's prime lending rate. The interest rate at September 30, 1985 was 11¾ % (1984 - 14½ %).

Although the bank loan is subject to call on demand, the company is negotiating with the bank as to repayment terms.

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated depreciation and depletion	Net book value	
	\$	\$	1985	1984
			\$	\$
Petroleum and natural gas				
Properties	1,174,727	425,389	749,338	1,282,443
Production equipment	315,197	125,072	190,125	253,239
	<u>1,489,924</u>	<u>550,461</u>	939,463	1,535,682
Mineral properties	—	—	—	21,400
Office equipment	41,918	37,332	4,586	10,163
	<u>1,531,842</u>	<u>587,793</u>	944,049	<u>1,567,245</u>

5. INVESTMENT IN AND SIGNIFICANT TRANSACTIONS AFFECTING SIGNIFICANTLY INFLUENCED COMPANY

After having spent \$1,000,000 pursuant to a July 1, 1984 joint venture agreement between The Mosquito Creek Gold Mining Company Limited (Mosquito Creek) and Hudson Bay Exploration and Development Company Limited (Hudson Bay), a subsidiary of Hudson Bay Mining and Smelting Co. Limited, Hudson Bay exercised its right, on January 14, 1985, to terminate the agreement, leaving Hudson Bay with an undivided 10% interest in the Mosquito Creek gold property. This interest was subsequently sold back to Mosquito Creek for shares.

Effective May 1, 1985, Mosquito Creek entered into a joint venture agreement, whereby venturers agreed to expend \$500,000 on the Mosquito Creek gold property. After expending \$500,000 on the property, venturers would earn an undivided 10% interest in the property. At September 30, 1985, approximately \$400,000 has been expended.

During the year, the company's interest in Mosquito Creek was reduced from 49% to 39%, due to the following capital transactions:

- (a) The company sold 100,000 shares of Mosquito Creek (book value of \$7,636) pursuant to a share purchase agreement with a consultant engaged by Mosquito Creek, for a cash consideration of \$1,000, resulting in a loss on disposal of \$6,636. The company acquired 150,000 shares of Mosquito Creek from Hudson Bay in exchange for the company's mineral properties located in Manitoba with a fair value of \$64,500.
- (b) During the year, Mosquito Creek issued 3,425,000 shares as follows:
 - 2,000,000 shares were issued in exchange for mineral properties located in the province of British Columbia, valued at \$750,000.
 - 625,000 shares were issued for cash consideration of \$250,000.
 - 800,000 shares were issued to Hudson Bay in exchange for an undivided 10% interest in the gold property, valued at \$300,000.

The effect of these transactions is to reduce the company's ownership in Mosquito Creek, resulting in a net gain to the company calculated as follows:

	\$
Loss on sale of Mosquito Creek shares held by the company	6,636
Increase in equity of Mosquito Creek net assets as a result of	
Mosquito Creek share issuances	<u>400,931</u>
Net gain to the company	<u>394,295</u>

6. DEBENTURE TO A SHAREHOLDER

During the year ended September 30, 1983, the company issued a \$1,500,000 floating charge debenture securing cash advanced by its major shareholder. The debenture bears interest at 1% above the company's bank's prime lending rate. The interest rate at September 30, 1985 was 11¼% (1984 — 14%). Although the debenture and accrued interest are subject to call on demand, the shareholder has agreed not to demand payment within the next twelve months. The debenture to the shareholder is convertible into common shares of the company up to the following dates at rates as follows:

- One share for each \$0.95 of principal and interest outstanding to December 22, 1985;
- One share for each \$1.05 of principal and interest outstanding to December 22, 1986;
- One share for each \$1.10 of principal and interest outstanding to December 22, 1987.

7. CAPITAL STOCK

(a) Authorized —

10,000,000 shares without nominal or par value

	1985 \$	1984 \$
Issued and fully paid —		
5,555,262 shares (1984 - 4,755,262)	5,081,084	4,632,110
Earned but not issued under flow-through share agreement —		
(1984 - 473,680 shares)	—	253,261
	<u>5,081,084</u>	<u>4,885,371</u>

During the year, the company issued 800,000 shares pursuant to the terms of a flow-through share agreement entered into in 1984 with the company's president, at the rate of one share for each \$.75 of qualifying exploration and development expenditures made. The shares were issued as follows:

	Number of shares issued	\$
Earned in 1984, net of petroleum incentive payments	473,680	253,261
Subscribed for in 1984, earned in 1985, net of petroleum incentive payments	326,320	195,713
	<u>800,000</u>	<u>448,974</u>

(b) Flow-through shares

The company is committed to issue up to 1,333,333 shares under the terms of an additional flow-through share subscription agreement with the company's president.

Under the terms of the agreement, up to \$300,000 of monies received by the company prior to December 31, 1986 shall be spent on behalf of the subscriber in exploring for and developing the company's petroleum and natural gas properties. Shares will be earned as the monies are spent on qualifying expenditures at the rate of one share for every \$.225 of expenditure made. At September 30, 1985, \$100,000 of the funds subscribed has been received, but not expended.

All grants receivable under Federal and Alberta Petroleum Incentives Programs and income tax deductions available as a result of these expenditures are for the account of the subscriber while the company retains title to the petroleum and natural gas properties and related reserves. As a result of the flow-through to the subscribers of the Petroleum Incentives Program payments and income tax benefits, the amount at which the shares are issued may be less than the amount of funds initially subscribed and expended.

8. RELATED PARTY TRANSACTIONS

The company's major shareholder and president is the major shareholder and president of Camac Explorations Inc. (Camac), and Cormorant Resources Ltd. (Cormorant), and is also the president of The Mosquito Creek Gold Mining Company Limited (Mosquito Creek), a publicly traded company in which the company has 39% of the shares.

The company participates with Camac in the exploration and development of oil and gas properties. During the year, the company expended \$16,500 (1984 - \$13,600) on oil and gas properties in which Camac has an interest. The balance owing to Camac at September 30, 1985, disclosed as due to a related party, is \$478,379 (1984 - \$454,013). This amount is non-interest bearing and has no fixed terms of repayment.

The company participates with Cormorant in the exploration and development of petroleum and natural gas properties. During the year, the company expended \$96,843 (1984 - \$273,086) on petroleum and natural gas properties in which Cormorant has an interest. The balance owing from (to) Cormorant at September 30, 1985, disclosed as due from a related party, is \$24,857 (1984 - (\$1,004)) and is non-interest bearing. The company received \$30,000 (1984 - \$22,500) as compensation for management services to Cormorant for the year.

The advances from and prior years accrued interest payable to the company's president are non-interest bearing and have no fixed terms of repayment.

During the year, the company received \$90,000 (1984 - \$90,000) from Mosquito Creek as compensation for management services. At September 30, 1985 the company has a debenture and accrued interest receivable from Mosquito Creek of \$353,043 (1984 - \$248,093). The debenture bears interest at the bank prime rate plus 1½%, and although it is receivable on demand, the company does not anticipate receiving payments in the current year in excess of \$103,043. The interest rate at September 30, 1985 was 11¾% (1984 - 14½%). The debenture is secured by a floating charge over mining properties and is convertible into common shares of Mosquito Creek on the basis of one share for each \$1.85 of any principal and interest outstanding to February 28, 1986.

9. FUTURE INCOME TAXES

The company has exploration and development expenditures of \$214,000, foreign exploration and development expenditures of \$2,200,000 and undepreciated capital cost of \$780,000 which may be carried forward and utilized to reduce future Canadian taxable income.

The company has accumulated losses for Canadian tax purposes of approximately \$818,300 which may be carried forward and used to reduce taxable income in future years and for which no future tax benefit has been recognized in the accounts. These losses may be claimed no later than:

	\$
Year ending September 30, 1986	4,000
1987	300
1991	802,000
1992	12,000
	<u>818,300</u>

10. REMUNERATION TO DIRECTORS AND OFFICERS

The aggregate direct remuneration paid or payable by the company to the directors and officers of the company amounted to \$32,200 (1984 — \$31,200).

11. SEGMENTED INFORMATION

In 1985, the company's dominant industry segment is the exploration and development of petroleum and natural gas properties (1984 - exploration and development of petroleum, natural gas and mining properties).

1985

	Canada \$	United States \$	Other \$	Consoli- dated \$
SALES TO CUSTOMERS OUTSIDE THE ENTERPRISE	<u>551,208</u>	<u>40,555</u>	<u>—</u>	<u>591,763</u>
SEGMENT OPERATING LOSS (PROFIT)	<u>(131,564)</u>	<u>366,134</u>	<u>92,000</u>	<u>326,570</u>
GENERAL CORPORATE EXPENSE (INCOME)				
Interest (net)				342,544
Equity in loss of significantly influenced company				166,937
Gain on decrease in proportionate share of significantly influenced company				(394,295)
LOSS				<u>441,756</u>
IDENTIFIABLE ASSETS	<u>1,416,029</u>	<u>372,949</u>	<u>—</u>	<u>1,788,978</u>
Investment in significantly influenced company				918,945
TOTAL ASSETS				<u>2,707,923</u>
CAPITAL EXPENDITURES	<u>362,804</u>	<u>16,019</u>	<u>—</u>	<u>378,823</u>
DEPRECIATION AND DEPLETION	<u>68,118</u>	<u>45,503</u>	<u>—</u>	<u>113,621</u>

11. SEGMENTED INFORMATION (continued)

1984

	Canada \$	United States \$	Other \$	Consoli- dated \$
SALES TO CUSTOMERS OUTSIDE THE ENTERPRISE				
Mining	659,503			659,503
Oil and gas	422,216	37,404		459,620
	<u>1,081,719</u>	<u>37,404</u>	<u>—</u>	<u>1,119,123</u>
SEGMENT OPERATING LOSS				
Mining	253,769			253,769
Oil and gas	35,941	817,760		853,701
	<u>289,710</u>	<u>817,760</u>	<u>—</u>	<u>1,107,470</u>
CORPORATE GENERAL EXPENSE				
Interest (net)				411,405
LOSS				<u>1,518,875</u>
IDENTIFIABLE ASSETS				
Mining	897,581			897,581
Oil and gas	1,208,979	721,223	92,000	2,022,202
	<u>2,106,560</u>	<u>721,223</u>	<u>92,000</u>	<u>2,919,783</u>
CAPITAL EXPENDITURES				
Mining	198,441			198,441
Oil and gas	426,817	18,056		444,873
	<u>625,258</u>	<u>18,056</u>	<u>—</u>	<u>643,314</u>
DEPLETION AND DEPRECIATION				
Mining	240,151			240,151
Oil and gas	42,435	17,262		59,697
	<u>282,586</u>	<u>17,262</u>	<u>—</u>	<u>299,848</u>

PEREGRINE PETROLEUM LTD.

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